



November 3, 2004

Michael G. Zanic, Esq.  
Kirkpatrick & Lockhart LLP  
Henry W. Oliver Bldg.  
535 Smithfield Street  
Pittsburgh, PA 15222-2312

Re: Halliburton Company, DII Industries, LLC, and Kellogg, Brown & Root, Inc. ("KBR") Settlement with Seaton Insurance Company

Dear Mike:

Per our discussion earlier this week, this letter agreement memorializes the permanent settlement agreement reached between Halliburton Company ("Halliburton"), DII Industries, LLC ("DII Industries") and Kellogg, Brown & Root, Inc. ("KBR"), on the one hand, and Seaton Insurance Company, formerly known as Unigard Insurance Company ("Seaton"), on the other hand.

As we discussed, the two Seaton insurance policies at issue present unique issues, and Seaton took the position that those unique issues were not adequately addressed as part of the other domestic carriers' settlement negotiations with DII Industries, KBR, and Halliburton.

Accordingly, you and I have sought to negotiate a "buyout number" for Seaton, even as Seaton agreed to be bound by the other settlement terms ultimately finalized between Halliburton/DII Industries/KBR and the other domestic carriers settling as a group.

This letter memorializes that we have reached agreement on a \$ "buyout number" for Seaton. More specifically, we have agreed that Seaton will pay to DII Industries \$ \_\_\_\_\_ the same date that the first wave of carrier payments are due to DII Industries under the final version of the domestic carriers' group settlement ultimately executed with Halliburton, DII Industries, and KBR.

In return for that lump sum payment, all matters as to Halliburton, DII Industries, KBR, and Seaton shall proceed (and be determined and governed) precisely as if Seaton had simply been another carrier signatory to that domestic carriers' group settlement with Halliburton, DII Industries, and KBR. (Should there

somehow turn out to be multiple final versions of domestic carriers' settlement agreements, Halliburton's, DII Industries', KBR's, and Seaton's rights and responsibilities under this Seaton settlement shall be governed by the version of the domestic carriers' settlement agreement ultimately executed by Stonewall Insurance Company and publicly filed in the United States Bankruptcy Court for the Western District of Pennsylvania.)

As we discussed, the parties to this agreement have agreed to keep this letter agreement as simple as possible by essentially incorporating by reference the final terms of that domestic carriers' settlement. However, should it turn out that it would make sense to have any of the parties execute more detailed settlement documents and/or take other further actions to enable each other substantially to receive the benefits of their bargains hereunder, Halliburton, DII Industries, KBR and Seaton will in good faith cooperate to assure the fair implementation of this agreement.

Should notices need to be sent by Halliburton, DII Industries or KBR to Seaton under this Agreement, they should be sent using the means provided for in the domestic carriers' settlement agreement to:

Brooke Green  
Cavell America  
632 Massachusetts Avenue, 2nd Floor  
Cambridge, MA 02139

with a copy to:

Clifford B. Hendler  
Crowell & Moring LLP  
1001 Pennsylvania Avenue, NW  
Washington, DC 20004

Should notices need to be sent by Seaton to Halliburton, to DII Industries or to KBR, they should be sent to Halliburton, DII Industries or KBR as provided for in the domestic carriers' settlement agreement.

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Thank you for your cooperation in working out this pragmatic resolution of difficult issues.

Sincerely

A handwritten signature in black ink, appearing to read "Clifford B. Hendler", written over a horizontal line.

Clifford B. Hendler  
Accepted and Agreed to on Behalf of Seaton  
Insurance Company

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Accepted and Agreed on behalf of  
DII Industries, LLC and Kellogg, Brown & Root, Inc. by its Counsel

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Accepted and Agreed on behalf of Halliburton Company,  
as specially authorized for this Letter Agreement only

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